

DELAWARE MUNICIPAL ELECTRIC CORPORATION
REGULAR MEETING
DEMEC ADMINISTRATIVE BUILDING
SMYRNA, DELAWARE
April 17, 2018

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Tuesday the 17th day of April, 2018 at DEMEC's Administrative Building, Smyrna, Delaware.

The meeting was called to order at 10:00 A.M. with Morris Deputy, Chairman, presiding.

The following roll call was presented:

Present:

Morris Deputy, Chairman
Representing Middletown
Austin Calaman, Alternate Director
Representing Lewes BPW
Eric Norenberg, Director
Representing Milford
Gary Stulir, Director
Representing Smyrna
Pamela Patone, Director
Representing MSC of New Castle
Roy Sippel, Alternate Director
Representing MSC of New Castle
Charles Anderson, Alternate Director
Representing Seaford
Donna Mitchell, Director
Representing Dover
Tom Coleman, Director
Representing Newark
David Del Grande, Alternate Director
Representing Newark
Darrin Gordon, Director
Representing Lewes BPW
Mary Ellen DeBenedictis, Director
Representing Clayton
Tyler Reynolds, Alternate Director
Representing Middletown
Sue Muncey, Alternate Director
Representing Clayton
Patrick E. McCullar, President
Representing DEMEC

DEMEC Staff Attending: Kimberly Schlichting, SVP-Operations & Power Supply; Louis Vitola, VP-Finance; Scott Lynch, VP-Asset Development; Heather Contant, Communications Specialist; Kendra Friel, Administrative Assistant; Jennifer Coulbourne, IT System Administrator; Stephanie

Dove, Manager of Accounting & Settlements; Steve Siok, Director of Beasley Plant Operations & Compliance; Emily St. Clair, Energy Services Manager

Guests Attending: June Merritt, City of Seaford; Sean Clement, VEIC; Randell Corbin, AMP

MINUTES

The minutes of the following meetings were presented for approval:

1. Minutes of the Meeting of February 20, 2018

Upon motion made by Newark to approve the minutes of the meeting of February 20, 2018, seconded by the MSC of New Castle, the motion passed unanimously.

APPOINTMENTS / ELECTIONS

None.

TREASURER'S REPORT

Patrick McCullar introduced Russ Hissom, Lead Auditor and Principal of Baker Tilly, DEMEC's independent audit firm. Mr. Hissom presented DEMEC's Audited Financial Statements as of and for the Year Ended December 31, 2017 as well as Baker Tilly's audit procedures and results. Following the presentation, upon motion made by Milford to accept and approve the 2017 Annual Financial Report and accept the 2017 Management Letter, seconded by Clayton, the motion passed unanimously.

PRESENTATIONS

Mr. Hissom presented DEMEC's Audited Financial Statements as of and for the Year Ended December 31, 2017 as well as Baker Tilly's audit procedures and results. Mr. Hissom's opening comment summarized the current state of DEMEC's financial reporting and internal control environment as "strong."

Mr. Hissom explained Baker Tilly's audit procedures, advising that the testing is designed to address the operational and business processes with the highest levels of risk. The effectiveness of the internal controls is measured through employee interviews, business process and control testing for adherence to policies, statistical sampling, review of source documentation, and confirmation with third parties. Mr. Hissom noted that Baker Tilly's testing includes reviews of expenditures, payroll, billing, cash, investments, capital assets, information technology, adherence to bond covenants, and more. Going forward, Baker Tilly's risk assessment process will become even robust, as artificial intelligence will be used to model client systems and execute a continuous auditing process.

Mr. Hissom reported that this year's audit resulted in Baker Tilly's "unmodified opinion," formerly referred to as the "unqualified opinion," which is the highest level of assurance that the financial statements are free from material misstatement and can be relied upon. There are no material weaknesses or significant deficiencies for Baker Tilly to report to the Board.

Mr. Hissom fulfilled his professional obligations by providing required information to DEMEC's Board, expressing the unmodified audit opinion, advising the Board of upcoming changes in accounting standards, and soliciting questions from the Board. Mr. Hissom noted that his belief was that none of the upcoming changes in accounting standards are likely to impact DEMEC's accounting or financial reporting.

Mr. Hissom thanked the Board for engaging Baker Tilly to serve as DEMEC's independent auditors and expressed his gratitude to Mr. Vitola and Ms. Dove for the outstanding preparation and diligent work required before and during the audit fieldwork to ensure an efficient and thorough process. Finally, Mr. Hissom thanked the Audit Committee for its help and guidance through the entire audit process, which he explained is a valuable experience for an auditor.

Audit Chairwoman Pamela Patone thanked Mr. Hissom and his team for the strong effort put forth this year and explained that the Committee facilitates the Board's financial oversight responsibilities by taking a deeper dive into the quarterly financial statements and asking questions throughout the annual financial reporting and audit processes. Ms. Patone also expressed her gratitude to Mr. Vitola and Ms. Dove for this year's successful audit, especially considering the unique challenge presented by the GASB62 implementation.

Mr. McCullar thanked Mr. Hissom for his firm's outstanding guidance through the audit process as the complexity of the electric industry, and therefore the complexity of our financial reporting requirements, increases with each passing year. Mr. McCullar concluded by expressing his appreciation to the Audit Committee for its valuable review and oversight and by thanking staff for the improvement in the quality of the annual financial report.

RESOLUTIONS

None.

COMMITTEE REPORTS

Executive Committee – Mr. McCullar noted that the Committee met in March, but there are no action items for discussion.

Audit Committee – Mr. McCullar noted that the approved Minutes of the Meetings of October 26, 2017 and the draft Minutes of the Meeting of February 22, 2018 were circulated to the Board.

PRESIDENT'S REPORTS TO BOARD

Mr. McCullar introduced DEMEC's new Energy Services Manager Emily St. Clair to the Board. Ms. St. Clair formerly served Delaware's Department of Natural Resources and Environmental Control as Planner III and holds degrees in Energy Management and Renewable Energy. Mr. McCullar welcomed Ms. St. Clair to DEMEC and expressed his pleasure in her addition to staff.

Generation Project Report:

Fremont – None

Laurel Hill Wind Farm – None

Smyrna Solar – None

Construction Project Status Report:

Middletown Transmission & Substation – None

Seaford System Improvements – None

Legislative Status Report:

Mr. Scott Lynch advised the Board that the Offshore Wind Working Group would convene in the following week to discuss items continuing from the previous meeting's agenda, but that no action items are outstanding.

Upgrade of DEMEC SCADA System

Mr. McCullar noted that DEMEC's SCADA system is comprised of the equipment in the field used to gather meter readings from members' high voltage substations. The SCADA system is being upgraded to enhance the reliability and accuracy of the meter readings; work is currently underway. Mr. McCullar advised the Board that there will be contact with members' distribution system managers to ensure vendor access to the switch station and the gear. Ms. Stephanie Dove added that distribution managers and staff may contact her with any questions related to the upgrade. Director Darrin Gordon noted that Lewes BPW is currently replacing its switchgear, which presents an opportunity for the SCADA upgrade in Lewes to be scheduled concurrently.

Under Frequency Load Shedding (UFLS):

Mr. McCullar noted that UFLS is in the purview of PJM Interconnection. DEMEC operates as the Load Serving Entity (LSE) in PJM representing all eight full-requirements members. All LSEs are required to report to PJM each member's load-shedding capabilities on an annual basis. Mr. McCullar emphasized the critical nature of each member's communication to DEMEC any changes to circuits or switching capability that affect the member's ability to shed load from the system. Such communication should be directed to Mr. Steve Siok for incorporation into DEMEC's annual UFLS report to PJM. While load-shedding is among the measures of last resort for PJM to mandate in order to preserve the operation of the grid in an emergency situation, it is nonetheless critical for all eight members' load-shedding capabilities for all three phases to be reported accurately each year. As such, Mr. McCullar reiterated the importance for all Directors to share with their Distribution Managers the importance of sharing accurate information with DEMEC.

Training / Education:

Ms. Schlichting called the attention of the Board to a number of upcoming trainings and meetings being hosted by DEMEC.

Earth Day – April 22, 2018

Ms. Schlichting advised that each member should have its Earth Day display table set up and that they should be working with Ms. Heather Contant to facilitate the tree raffle.

DEMEC Day – April 25, 2018

All members are invited and encouraged to attend. A meeting with Governor Carney is scheduled for 2 p.m. to share the important work we are doing.

Junior Achievement Job Shadowing – May 3, 2018

Ms. Schlichting noted that for the first time, DEMEC will host a job shadowing event in connection with Junior Achievement to benefit local students by introducing career opportunities in the electric industry. High school students will be invited to DEMEC facilities to meet with electric line crews, explore an aerial lift truck, tour the Beasley Power Station and interact with electric industry professionals. Ms. Schlichting advised that this event aligns with both APPA and State of Delaware initiatives to increase the awareness of the career potential in the electric industry.

Cybersecurity Training – May 9, 2018

Ms. Schlichting advised that DEMEC will host cybersecurity training at DEMEC's Training Center and encouraged the Board to assign information technology staff to the event. Jen Coulbourne, DEMEC's new Systems Administrator, is attending the event and looks forward to building relationships with members' IT teams and scheduling regular training sessions to cover additional technical and security-related topics in the future.

APPA Public Power Manager Certificate Program – May 14-18, 2018

Ms. Schlichting noted that Alternate Director Austin Calaman and Director Pamela Patone were attending the Program and encouraged other members of the Board to share their interest level in the Program.

Joint Council Briefing – May 22, 2018

Ms. Schlichting advised that invitations have been distributed and asked that all members forward the invitations to their councils, boards and utility committees, noting that this year's program does not include Key Accounts customers in consideration of the recent training sessions and the best-practice guidance to host such customers at events catering specifically to Key Accounts. Mr. McCullar asked all members to strongly encourage their elected officials and utility committees to attend this year to maximize the impact of the critical information being shared. Ms. Schlichting noted that Dawn Lund of Utility Financial Solutions would also be presenting at the event.

Communications Update

Ms. Heather Contant presented a photograph of the Earth Day table display along with a description of the handouts and brochures accompanying the display. Ms. Contant shared details about the Earth Day raffle, noting that 64 entries have been received, representing eight of the nine members. Ms. Contant asked that each member share the Facebook link to solicit additional customer contact information. Ms. Contant described the “Reduce, Reuse, Recycle” infographic included with the materials, which was also shared with all members’ communications staffs with encouragement for each community to post on social media and distribute locally. Finally, Ms. Contant explained that the new storm readiness materials, while timely for members to share with their communities as we approach the summer storm season, are relevant all year long as each season poses threats from different types of weather events.

Ms. Contant highlighted the graphics in the Annual Report as well as the new Community Booklet, which will serve as a guide to introduce DEMEC and the public power mission to elected officials at the state and local levels as well as any other constituent, stakeholder or interested party. The final proof of the booklet is with the printer now and will be available to all members soon.

Ms. Contant shared a concept that is currently in development for an educational insert intended to educate all members’ residential customers about the details of their utility bills, noting that the effort stemmed from a request by several members. Ms. Contant asked that all members supply her with a hard copy or a scan of a residential utility bill so that the handout can incorporate an image of an actual bill for the benefit of the reader.

Ms. Contant reminded the Board that National Lineman Appreciation Day is tomorrow, April 18, 2018. An image was shared with your communications staffs last week. Ms. Contant encouraged the members to take photographs of their electric line crews and post them on social media, specifically emphasizing reliability and any special designations, such as RP3.

Ms. Contant presented the first glance at DEMEC’s website upgrade, which is currently in development, and solicited pictures from members. Ms. Contant advised that www.demecinc.net is still live and active, and that the new domain www.publicpowerde.com has been secured and points to DEMEC’s existing website.

Ms. Contant shared the images of the two legislator awareness billboards in north and south Dover and concluded by noting the success of the communications lunch & learn hosted by DEMEC last month.

Green Energy Program Status Report:

Energy Efficiency Program Update –

Mr. Lynch introduced guests Randy Corbin of AMP and Sean Clement of VEIC to update the Board on the March 1, 2018 launch of the Efficiency Smart Program. Before turning the presentation over to Mr. Clement, Mr. Lynch noted that he would be undertaking kickoff meetings with the individual members that have elected to actively participate in the Program and that the energy efficiency offerings of the Delaware SEU would complement the Program.

Mr. Corbin introduced himself as the Project Manager for AMP's Efficiency Smart Program and advised that Mr. Clement, Efficiency Smart Director of Operations, would share the details of the Program.

Mr. Clement advised that he and his team have been working on the community-specific website for the Program, which would exhibit community maps, an online product store and local appliance recycling information, among other efficiency education and information. Mr. Clement's team has also been researching and soliciting community outreach partners, appliance recycling processors and local retail vendors to be integrated into the Program. The call center supporting all DEMEC member service areas is up and running, ready to share details of the program with any eligible customers that have questions at this early stage in the process. A meter loan program is up and running, which allows customers to borrow a meter to measure the demand of certain household items. In two to three weeks from now, AMP will begin the outreach required to establish relationships with commercial and industrial customers. Mr. Clement noted that the broad, central website for Efficiency Smart is www.efficiencysmart.org, and that participating communities will each have their own, dedicated Program website.

Director Tom Coleman asked questions about resources and materials available to municipalities considering the Program. Mr. Clement advised that any answers or data not available on the website can be supplied by his team, and that DEMEC may solicit questions from its members and submit them to Mr. Clement. Mr. Coleman asked about the impact of load and revenue lost to customers taking advantage of the Program. Mr. Clement advised that it is typical for revenue lost due to load reductions to be more than offset by wholesale cost savings. Mr. McCullar concurred that savings can be achieved on the wholesale cost of power due to capacity and transmission loss reductions, the avoided cost of lost customers, and other effects of a successful program.

Smyrna Solar Project –

Mr. Lynch shared that the Project is underway and advancing quickly. The footings / mounting posts are 72% installed, the racking is 42% installed, and the panels are 4% installed. The Project will not generate electricity during construction, which is common for solar projects. The Project is expected to be substantially complete by June 1, at which time it will undergo testing. If testing is successful, the Project should be in service and generating electricity by the end of June.

Renewable Energy Tracking – None

Customer Sited Generation Policies – None

Energy Efficiency Advisory Council (EEAC) –

Mr. Lynch noted that DEMEC will update the EEAC with the launch of the Efficiency Smart Program, which will result in a credit for DEMEC toward the state's energy efficiency initiatives.

Demand Response Update –

Mr. Lynch reminded the Board that the Demand Response year runs from June 1, 2018 through May 31, 2019. Key Accounts and municipalities still have time to enroll before the start of the

next DR year. Mr. Lynch asked members to advise their level of interest at their earliest convenience. Mr. Coleman requested a list of Key Accounts in Newark enrolled in DR programs.

BUSINESS FROM THE FLOOR

Mr. McCullar provided an update to energy laws and regulations related to renewable portfolio standards (RPS), nuclear power subsidies and other issues recently proposed in Maryland, New Jersey and Ohio. The issues reported could directly or indirectly impact Delaware, and Delaware is circulating its own draft of changes to the RPS.

Mr. McCullar summarized the discussion and interaction at the recent Interconnection and Mutual Operating Agreement Administrative Committee Meeting held at DEMEC offices, which was very well-attended and resulted in beneficial dialogue. However, roughly a year into the Exelon-Delmarva merger, the combined company continues to undergo significant internal changes and employee turnover, which presents challenges to us as we attempt to maintain productive relationships with our counterparts at the company.

Mr. McCullar advised the Board that DEMEC will be filing a revision to its Network Integration Transmission Service Agreement (NITSA) at FERC between DEMEC and PJM, which sets forth DEMEC's rights to the transmission system. The nature of the filing is simply an update to the lease between the Town of Clayton and Delmarva for certain equipment situated in Clayton.

EXECUTIVE SESSION

The Board went into executive session at 11:04 am upon motion by Newark, seconded by MSC of New Castle to discuss the following:

- a. To discuss strategic business and commercial generation operations, dispatch, negotiations and planning.

The Board ended the executive session and returned to regular session at 11:25 a.m. No business was presented.

NEXT MEETING DATES

The following meeting dates were set:

Tuesday, May 15, 2018 – 10:00 a.m.

Tuesday, July 17, 2018 – 10:00 a.m.

Tuesday, August 21, 2018 – 10:00 a.m.

ADJOURNMENT

Upon motion by Lewes, seconded by Clayton, the Board Meeting adjourned at 11:26 am.